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ABSTRACT

At a meeting sponsored by the Council for Advancement and Support of Education and the National Association of College and University Business Officers, strategies for explaining college costs to external constituencies (the public, media, policymakers) and internal constituencies (campus professionals and alumni) were discussed. Officials from the University of Virginia and Duke University (North Carolina) offered examples of their institutions' strategies. The University of Virginia had to communicate to an internal constituency, i.e., faculty, its goal to restore average faculty salary to its 1989-90 ranking relative to a national peer group. Over the course of the initiative the president presented the case to the university's Board of Visitors Finance Committee, announced privately funded merit bonuses, asked for support from alumni and donors, and highlighted the initiative in the annual report. At Duke University external constituencies were the audience, and a decision was made to work with a "Chronicle of Higher Education" reporter on a story about how Duke sets tuition and spends it funds, in the hope that this would help the public understand the complex array of forces that drives college costs at leading universities. The monograph concludes with a list of key recommendations for communicating with both internal and external constituencies. A list of presenters and participants is appended. (CH)

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Council for Advancement and Support of Education

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COMMUNICATING ABOUT COLLEGE COSTS

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COMMUNICATING ABOUT COLLEGE COSTS

April 1999 An Issue Paper for Advancement Professionals No. 28

Derived from the CASE/NACUBO Senior Issues Forum on College Costs

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"Why does college cost so much?"

This is a common question from any family with a college-bound student. It is often asked by high school guidance counselors, by bank loan officers – indeed by *anyone* involved in helping a student go to college. Not surprising to college and university officials, it is even asked by professors, coaches, administrators, and many others on campus who interact regularly with college students.

The answer is much more complicated than most people realize. Yet it has become more important than ever for colleges and universities to explain college costs. The media have taken a harsh look at higher education in recent years, with reports of rising tuition and growing endowments at several of America's finest institutions. At the same time, the public has become increasingly confused and angry over rising college costs.

Congress also has expressed its concern. In January 1998, a Congressionally appointed commission on the cost of higher education issued a highly anticipated report, which concluded that institutions need to understand and communicate better when discussing college costs. The commission also made several recommendations designed to improve institutional cost control, deregulate higher education, improve accrediting processes, and enhance and simplify federal student aid.

The fact is that higher education officials have a difficult time explaining college costs. As a result, the public is woefully lacking in awareness of the *price*, or tuition, at various institutions, versus how much institutions actually *spend* to educate each student.

A recent study by the American Council on Education shows in stark detail what the public believes and knows in this area. The findings reveal that Americans rank college costs among their top five worries about their children, with 65 percent of survey respondents saying they are concerned about the cost of higher education.

The study also shows that Americans overestimate tuition levels. Respondents estimated the tuition at community colleges to be about $4,000 per year -- more than *two and one-half times* the actual average of

$1,500. They estimated the annual tuition at public four-year institutions to be $9,700 -- more than *three times* the actual average of $3,100. And they estimated the tuition at private four-year institutions to be nearly $17,900 per year -- far higher than the actual average of $13,700. The public seems to confuse total college expenses, which include students' housing, food, and incidental expenses, with the level of tuition.

Higher education is making great efforts to remedy the problems highlighted in the study. In the fall of 1998, the American Council on Education launched a campaign with several higher education associations and more than 1,000 colleges and universities across the country to educate the public about college costs and financial aid. The Council for Advancement and Support of Education (CASE) and the National Association of College and University Business Officers (NACUBO) are participating in the campaign, called "College Is Possible." (For more information on the National Commission on the Cost of Higher Education report, the ACE study, and the College Is Possible campaign, see the ACE Web site at *www.acenet.edu*.)

In February 1998, shortly after the Congressionally-appointed commission released its findings, CASE and NACUBO brought together a group of more than 20 senior-level communications professionals and business officers to discuss strategies for working together to explain college costs. The group, which represented a cross-section of public and private institutions, heard presentations from officials at the University of Virginia and Duke University, who described efforts at their institutions to communicate about the college cost issue to **external** constituencies (the public, the media, policy-makers) and **internal** constituencies (campus professionals and alumni). The group also made several recommendations for helping other institutional advancement officers deal with this vexing issue.

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Communicating to Internal Constituencies:

The University of Virginia's Faculty Salary Initiative

Faced with plummeting state funding in the mid-1990s, University of Virginia officials knew they had a problem. Declining state support was having a negative impact on faculty salaries at U.Va., one of the country's most well-regarded public institutions. In a ranking of average faculty salaries by the American Association of University Professors (AAUP), U.Va. had fallen from 18th in 1989-90 to 27th in 1995-96.

Fearing an exodus of top faculty members and a decline in the quality of the institution, U.Va.'s top officials sprung into action with a proposal not unlike a crisis management plan. Their primary goal was to restore the average faculty salary to its '89-'90 ranking (18th) and to the 60th percentile as measured by a national peer group. In addition, creators of the initiative wanted to communicate to both internal and external constituencies that raising faculty salaries was prudent and necessary to preserve the quality of the institution. They also wanted to make clear that the salary increases would come from private sources, such as gifts and U.Va.'s endowment, not from tuition or taxes.

To accomplish this, they had to overcome several obstacles, some based on erroneous beliefs and others based on fact. The obstacles based on belief involved false perceptions about U.Va., such as the idea that:

* U.Va. faculty, like faculty elsewhere, were already overpaid and underworked.

* The U.Va. endowment was big enough to meet these and other university needs.

* The university had not seriously attempted to cut costs through administrative streamlining.

* U.Va. should be compared to other in-state or public universities, rather than to other high-ranking private and public institutions.

The obstacles based on fact included the notion that:

* A high proportion of U.Va.'s endowment was restricted for use by individual schools within the university.

* The endowment was split into two categories, which had different spending rates.

* Other important institutional priorities, aside from faculty salaries, were also underfunded.

* State approval was necessary to spend funds, including those raised privately.

Working together, the president, provost, and communications and business officers developed a financial plan to boost average faculty salaries by 6 percent over three years through increased spending of non-restricted endowment funds and private fund raising. Working with the communications office, the group identified several constituencies whom they would have to convince in order for the plan to be successful. Although they named several external constituencies in this effort, including state lawmakers and parents of students, their focus was on the following internal constituencies:

Deans. The plan's creators knew that the deans of U.Va.'s various schools would be happy with the basic intent to boost faculty salaries, but not with the fact that faculty in some schools would receive raises while those in other schools would not. To counter this, the deans were reminded that faculty in some disciplines were below the benchmark salary average, and that faculty in schools not included in the plan were already at, or above, the average. Also, the deans learned that the raises would be funded, in part, by reallocating portions of their schools' endowments.

U.Va. Board. The plan was formulated shortly before a scheduled meeting of U.Va.'s Board of Visitors, so U.Va. President John Casteen decided to announce the plan at the meeting. He made a compelling argument that faculty salaries would have to be raised in order to maintain the quality of the institution. Most board members agreed with the plan on its face, though some asked for additional background information to document the need and to clarify endowment spending rates, the extent of unrestricted versus restricted endowments, and related issues.

Non-faculty. The salary increases applied only to U.Va.'s tenured and tenure-track faculty in the non-professional schools, who constituted 1,200 of the institution's 10,000 total employees. In order to quash feelings of resentment by those not covered by the plan, the university made the case that raising faculty salaries would increase the stature of the institution as a whole among the higher education community and future donors, and would also assure a high-quality education to current students.

Over the course of the initiative, the university used several methods to communicate its need to raise faculty salaries. For example, President Casteen spoke to the U.Va. Board of Visitors Finance Committee; announced privately funded merit bonuses for about 80 faculty in underpaid disciplines; sent a letter to

alumni and donors describing the problem and asking for contributions in the effort to solve it; and highlighted the faculty salary initiative in his annual report. A continuing communications challenge, both internally and with external constituents, was to explain the importance of these increased expenditures at a time when attention was focused on cutting costs.

As a result of Casteen's initiative, U.Va. managed to reverse its decline in average salary rankings. Ironically, because U.Va.'s salary increases had not been implemented by the time of AAUP's 1996-97 survey, the institution fell to 32nd from 27th the year before. But, with salary boosts in effect, U.Va. returned to the 27th rank in 1997-98, and expects to rank in the low- to mid-20s this year. U.Va.'s Board of Visitors and its Alumni Association have supported the initiative, the latter by contributing $1 million of the $9 million three-year cost. In addition, the initiative's acceptance is reflected in the success of U.Va.'s current capital campaign, which to date has funded more than 130 endowed professorships.

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Communicating to External Constituencies:

The *Chronicle* Profile of Duke University

When *The Chronicle of Higher Education* approached Duke University about a story on how Duke sets tuition and spends its money, several university leaders recommended rejecting the idea. Who could blame them? They had all heard about and seen devastating press reports about skyrocketing tuition and ballooning endowments in major publications such as the *Philadelphia Inquirer* and *Newsweek*. And *Time* magazine had just published what was perhaps the most critical piece of all, a cover story titled "How Colleges Are Gouging U" that attacked the rising tuition and fees at the University of Pennsylvania.

But Duke's public affairs and budget officers figured that by working together with the *Chronicle* reporter, they might generate a story that would help the public to understand the complex array of forces that drive college costs at a leading university, and thereby help all of higher education. Agreeing to open up its books to the press would be a big risk for Duke, putting on the line its status as one of America's finest private institutions. But the institution's communications and financial officers carefully considered several factors in favor of participating:

* Duke officials believed that the *Chronicle*, a publication specializing in higher education, was less likely to produce a sensationalized story about college costs than an objective report.

* The *Chronicle* appeared to be seeking a follow-up story to *Time's* article on Penn, which had appeared shortly before the *Chronicle's* inquiry to Duke and, according to knowledgeable people in higher education, contained a number of factual errors.

* Duke had made several adjustments in tuition targeted specifically toward improvements in undergraduate education. Additionally, Duke could document those investments and their impact on the quality of Duke students' educational experience.

* Duke was less susceptible than its peers to accusations that endowment funds could be used to lower tuition and fees. Duke could make a valid argument that its $1 billion endowment was far less than that of other top-tier private institutions with which it traditionally competes for faculty and staff, and that strategic investments of dollars generated from the endowment could

make a difference.

Ultimately, campus leaders who initially opposed participating in the article were swayed by the possible benefits to the university, which included top-notch media coverage, the chance to portray itself as an open and honest institution, and an opportunity to help the public understand how one campus struggled to develop resources to support educational quality.

When the reporter arrived, she was given a half-day seminar on Duke's financial status and a stack of budget information to review, to provide a basic knowledge of relevant matters and procedures. Throughout her four-day stay at Duke, the reporter was given virtually unlimited access to financial information and resources, and to university officials and students. After she left, Duke's communications and budget officers maintained contact and answered her additional questions.

The resulting story, published May 30, 1997, logically explained the costs involved in educating a student at Duke, the considerations in determining tuition, and the difference between tuition and the actual cost of educating each student. The article, titled "An Inside Look at How a Private Research University Sets Tuition Rates and Spends the Money," described some students' concerns about the price of a Duke education, but it also included President Nannerl Keohane's defense of Duke's tuition and volumes of data showing how the university had developed its budget and spent its tuition revenue.

The story included three important messages:

1. The cost of education is subsidized for *every* Duke student. Tuition covers only a portion of the total cost of educating a student at Duke, so that even students who pay full tuition receive financial assistance from the institution. In effect, everyone who goes to Duke receives a "scholarship."

2. Tuition increases benefit students. Duke documented how monies generated by its increases over a decade or more had gone to strengthen academic programs, thereby improving the educational experience of its students. Duke officials also showed that the investment of tuition in academic and student service enhancements had resulted in the improvement of Duke's standing among peer institutions. This bolstered Duke's claim that even when tuition increases were spent in areas outside of academics, such as student services, students benefited from improvement of the institution's overall image.

3. Duke was under-endowed. Duke officials emphasized that its $1 billion endowment was low for a top-tier private institution, and lower than that of many public institutions.

The story was well-received by Duke leaders, and particularly by its board of trustees, whose members heard from trustees of other university boards about how important the story was for all of higher education. Duke's faculty also reacted well to the article. Several faculty members even said the story helped them understand the financial issues that Duke grapples with in delivering its academic program.

Duke made sure to circulate the story among external constituencies as well. The story was reprinted as a supplement in the edition of Duke's faculty-staff paper that was circulated on Parents Weekend. President Keohane sent the story to members of Congress to help Congressional leaders and their staffs understand how tuition policies are developed and how they work.

Duke officials say their experience with the *Chronicle* taught them several rules about communicating cost issues:

1. **Try to determine if the reporter is serious about the story.** The institution should try to determine whether the reporter is approaching the story with an open mind or is merely out to write a story confirming conventional wisdom. Is the reporter willing to spend the time needed to understand the budget process? Is he or she willing to meet with campus officials who can explain the complexity of the budget process and how it affects various segments of the campus? As Duke found, the reporter's willingness to invest time in the story can signal an earnest approach that could benefit higher education.

2. **Anticipate what the reporter will want.** When deciding whether to cooperate on a story like the one involving Duke, an institution should try to anticipate what information the reporter will request to see. If the institution is uncomfortable releasing some of that information, it should agree with the reporter that certain kinds of proprietary information, such as comparative data about other universities or information developed by a third party, will be available only "off the record." If an agreement cannot be reached, the university should consider passing on the story, since giving the impression that you are hiding something could embolden a reporter to dig deeper. An institution need not assume that it will have to open its books completely and provide, for example, personnel-related budget information such as individual faculty salaries. A good reporter will understand that certain information is private.

3. **Emphasize cost vs. value.** An institution should be able to explain how every expenditure it makes will benefit students. When a reporter focuses on costs, the institution needs to point out the value of its programs and show how expenditures contribute to the quality of each student's education.

4. **Follow through.** When approached by the media for a college cost story, an institution must be sure to follow through with the reporter until the story is complete. Once an institution decides to participate in the story, it cannot back out of it without losing credibility with the reporter.

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Key Recommendations

After U.Va. and Duke completed their presentations, our experts discussed how communications and business officers at other institutions can communicate their own college cost issues. They addressed questions ranging from how endowments are used to whether colleges and universities can operate like for-profit businesses. Their key recommendations are summed up below. (A list of participants follows.)

For internal constituencies:

1. Communicate to presidents that institutions must change the way they do business and be more open in discussing costs. While defending their financial approaches, institutions should also be open to change and willing to take responsibility for minimizing and explaining costs.

2. Keep everyone on campus better informed so that they are prepared to discuss cost issues with alumni, parents, or the media when asked. A campus' internal constituency can be a

valuable resource for effective communications.

3. Form a partnership between the finance office and the public affairs office when developing an action plan. Too often there is little or no communication between business officers and public relations staff.

For external constituencies:

1. Explain endowments to key constituencies: what they are; how they are used; and their true role and influence in public institutions.

2. Break the "financial aid barrier" -- the public's perception that financial aid is too limited, despite increases in tuition. Overcome the public's fear that the high cost of certain institutions discourages lower- and middle-class students from attending them. Let people know that adequate financial aid, including loans and work-study, is available to allow students to attend any school to which they are admitted.

3. Dispel the notion that tuition pays for only a four-year block of time. Even with financial aid, college costs can sound prohibitive when spread out over only four years. Discuss costs as a lifetime investment.

4. Create useful images and emphasize the personal nature of the issue. Saying there is $6 billion worth of financial aid available means little to the individual family. Boil it down to the personal level by saying there is, say, $27,000 available per student. This brings the issue from the abstract to reality.

5. Explain to the public that even students who pay full tuition are being subsidized by their institution.

6. Be creative in communicating with external audiences. Do not rely on reporters, who often cannot examine an issue deeply or do not understand it themselves.

7. Develop different ways to explain costs to the public, such as taking out ads in campus publications and local newspapers.

For both internal and external constituencies:

1. Take the 10 most common public misconceptions about tuition and financial aid and develop 10 facts in the form of talking points for business and public relations professionals.

2. Explain that education is an investment that will yield significant dividends to the student and to society in the long term.

3. Explain terms such as financial aid, grants, and scholarships. Colleges need common, universally recognized definitions of financial aid terms in order to clarify the issues.

Written and compiled by CASE Online and Media Relations Director Steven C. Weiss. If you have ideas for future issues papers, please contact Sarah Hardesty Bray, Vice President, Communications, at (202) 478-5683 or *bray@case.org*.

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